

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 244

March 24, 2023

SUMMARY OF BILL: Increases income eligibility limits for property tax relief for elderly low-income homeowners and disabled homeowners from \$24,000 to \$36,600 and increases the value limit on which property tax reimbursement is calculated for such low-income, elderly or disabled taxpayers (low-income taxpayers) from \$27,000 to \$35,000 of the full market value of the property.

Increases the property value threshold for determining the extent of any property tax relief payments to disabled veterans and their surviving spouses from \$175,000 to \$200,000 of the full market value of the property.

FISCAL IMPACT:

Increase State Expenditures – Exceeds \$5,120,900/FY24-25 and Subsequent Years

Other Fiscal Impact – The extent of any permissive impact on local government expenditures cannot reasonably be determined.

Assumptions:

- Pursuant to Tenn. Code Ann. §§ 67-5-702 through 67-5-704:
 - There shall be paid from the state's General Fund to low-income taxpayers and to certain disabled veterans or their surviving spouses, the amount necessary to pay or reimburse such taxpayers for all or part of the local property taxes paid for in a given year on a property that the taxpayer owned and used as their residence;
 - The income limit for low-income taxpayers shall be adjusted each year to reflect the Social Security cost of living adjustment (COLA); and
 - The value limit on which reimbursement shall be paid to low-income taxpayers shall be increased annually, by no less than zero percent and no more than three percent, to reflect inflation.
- The proposed legislation increases income eligibility limits for property tax relief and value limits for upon which property tax relief is calculated, beginning in tax year 2024.
- Given that property tax notices will be sent to taxpayers in late 2024 and paid by February 2025, the first fiscal year impact will be FY24-25.
- Based on information provided by the Comptroller of the Treasury (COT) relative to tax relief for low-income taxpayers:
 - The income limit for FY24-25 is \$36,370, as adjusted by the COLA;

- The value limit for FY24-25 is projected to be \$31,700, as adjusted for inflation;
- The recent growth rate in property tax relief payments to low-income homeowners is a negative three percent (-3%);
- The amount of property tax relief for low-income taxpayers beginning in FY24-25 would be:
 - \$14,992,414 with the \$36,370 income limit;
 - \$15,083,988 with the proposed income limit of \$36,600;
 - \$14,992,414 at the \$31,700 projected property value limit;
 - \$16,553,139 at the \$35,000 proposed property value limit; and
- The recurring increase to state expenditures relative to tax relief for low-income taxpayers is estimated to be \$1,652,299 [(\$15,083,988 - \$14,992,414) + (\$16,553,139 - \$14,992,414)].
- Based on information provided by the COT regarding tax relief for disabled veterans and surviving spouses:
 - The amount of actual property tax relief for disabled veteran and surviving spouse homeowners at the \$200,000 assessed property value limit would have been \$28,225,748 in 2022.
 - The calculated amount of actual property relief at the \$175,000 assessed property value limit was \$25,689,533 in 2022.
- Based on the recent growth rate in property tax relief payments to disabled veterans and their surviving spouses, the impact to this population has been projected forward to FY24-25 using an annual growth rate of 11 percent in order to determine the estimated increase in tax relief payments.
- Subsequent years would be expected to see similar growth percentages.
- Projecting the estimated property tax relief from 2022 at each property valuation for this population forward to FY24-25 will result in \$35,133,802 of property tax relief at the \$175,000 limit and \$38,602,408 of property tax relief at the \$200,000 limit.
- The recurring increase in state expenditures for disabled veteran and surviving spouse homeowner's property tax relief from the General Fund is estimated to exceed \$3,468,606 (\$38,602,408 - \$35,133,802) beginning in FY24-25.
- The total recurring increase to state expenditures under the proposed legislation is estimated to exceed \$5,120,905 (\$1,652,299 + \$3,468,606) beginning in FY24-25.
- Certain local governments have adopted various forms of local supplemental tax relief programs.
- Increases to income eligibility limits and the value limits for both low-income taxpayers and disabled veterans and surviving spouses could also result in an increase in local government expenditures for these programs; however, the timing and extent of any permissive increase in expenditures will vary based on the approach and criteria for such programs.
- Any permissive increase in local expenditures cannot reasonably be determined.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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